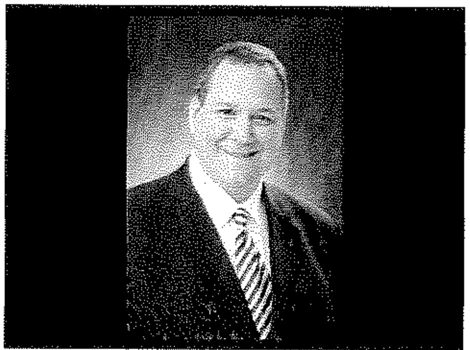
EXHIBIT I

Ohio Attorney General Targets Wall Street for Lending (Update2)

By Jody Shenn



Enlarge/Details

May 15 (Bloomberg) -- Ohio Attorney General Marc Dann, likening the subprime lending industry to armed robbers, said he wants to sue Wall Street firms because their bond sales enabled consumers to get mortgages they couldn't afford.

Ohio has already won the right through a lawsuit to review foreclosures by New Century Financial Corp., the bankrupt California-based lender. Dann may add investment banks and credit-rating firms to the case or bring new suits, perhaps using Ohio's civil version of the federal Racketeer Influenced and Corrupt Organizations Act, he said in an interview today. The RICO law is used to target organized crime and drug rings.

``If somebody was buying guns and giving them to people to go and take people's houses at gunpoint in Ohio, we'd be prosecuting them and throwing them in jail,'' Dann said.

Ohio has the nation's highest foreclosure rate, in part because manufacturing losses have left the state with the sixth-highest jobless rate. About 3.38 percent of Ohio homeowners with mortgages faced foreclosure as of Dec. 31, the Mortgage Bankers Association reported, compared with 1.19 percent nationwide.

Securities firms encouraged ``irrational loans'' to be made, Dann said, by providing a liquid market in which mortgages were bundled by the thousands and sold as securities.

``I want to see the e-mails, I want to see the documents,'' he said. ``I'm guessing somebody at some or all of these places was predicting the bottom was going to fall out.''

Wider Reach

The state may seek damages from mortgage companies and investment banks even for ``purely criminal'' situations in which borrowers committed frauds against lenders, Dann said. He cited the harm such schemes did to communities that could have been prevented if lenders had been more cautious.

Ohio probably will be ready to file cases by year-end, said Dann, a former state senator and lawyer who took office in January. American Banker, the industry newspaper, reported his plans yesterday on its Web site.

The state is also considering suing on behalf of state pensions including the Ohio Public Employees Retirement System, Dann said, even though they ``never got caught up in the irrational exuberance'' surrounding securities backed by the loans and ``don't have a lot of big positions'' in the bonds.

``My clients are certainly taking Marc Dann's comments extraordinarily seriously,'' said Richard Gottlieb, a partner in Chicago at Dykema Gossett PLLC, which represents firms involved in home lending and securitization, including Irvine, California- based New Century.

Bad Publicity

Savings and commercial banks with federal charters are protected against state regulators, and charges against other lenders probably will fail, too, Gottlieb said. Still, attorneys general often ``gain most of their leverage through the desire to avoid bad press,'' he said.

Late payments of more than 90 days, foreclosures and seized property tied to subprime mortgage bonds in the U.S. rose to the highest level since 1997 in February at 11.3 percent, according to Arlington, Virginia-based Friedman Billings Ramsey Group.

California had the most foreclosure filings last month, with 30,505, followed by Florida at 14,318 and then Ohio with 11,431, more than double a year earlier, according to RealtyTrac Inc., an Irvine, California-based seller of foreclosure data. Ohio's 5.2 percent unemployment rate in March exceeded the national average by 0.8 percentage points, the U.S. Department of Labor reported.

More Targets

Lehman Brothers Holdings Inc., Countrywide Financial Corp., Morgan Stanley, and Merrill Lynch & Co. were the top sponsors of subprime-mortgage securitizations last year, according to newsletter Inside B&C Lending. A federal appeals court in December upheld a $5 million judgment for borrowers against Lehman Brothers for ``predatory'' lending by First Alliance Mortgage Co., a subprime lender that went bankrupt in 2002.

Mark Herr of Merrill Lynch, Rick Simon of Countrywide, Kerrie Cohen of Lehman Brothers and Fran Laserson of Moody's Investors Service declined to comment. Officials at Morgan Stanley, and Bear Stearns Cos., the largest mortgage-bond underwriter, didn't return messages.

``We are sympathetic to the difficulties that some Ohio homeowners and pension funds have encountered,'' said Chris Atkins of Standard & Poor's. The company's ratings on mortgage bonds -- which Dann alleged understated risks -- aren't supposed to address the ``suitability'' of securities as investments for specific buyers, or of mortgages for consumers, Atkins said.

Next Targets

``The question is who benefited from this that still has money,'' Dann said, adding he's also weighing suits against ``four or five'' more subprime lenders.

Subprime mortgages are given to borrowers with poor or limited credit histories or high debt burdens. They typically carry rates at least 2 or 3 percentage points above the least- risky mortgages. Those rates are usually fixed for two or three years, and then may rise 3 percentage points or more.

Iowa Attorney General Tom Miller said in an interview last month he's now focused on prodding lenders and bond investors to help consumers avoid foreclosure, and getting other states to do the same. Miller headed a multistate task force that extracted $800 million in settlements from subprime lenders Household International and Ameriquest Mortgage in 2002 and 2006.

``We've got to do something to avenge those homeowners and to deter this type of conduct in the future, and hopefully create a pool of money to restore some of these folks to homeownership,'' Dann said.

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